

Quota Review Committee Meeting Notes

May 23, 2007
Sacramento, California

MEMBERS PRESENT

Ann Silva
Domenic Carinalli
Ben Curti
Frank Faria
Frank Konyn, Jr.
Steve Maddox
Brad Scott
Pete Vander Poel
Ray Veldhuis

MEMBERS ABSENT

Dennis Leondardi
Richard Shehadey

DEPARTMENTAL STAFF PRESENT

A.G. Kawamura, Secretary
George Gomes, Undersecretary
Kelly Krug, Director
John Lee
Dave Ikari
Donald Shippelhoute
Candace Gates
Marie R. Caron-Lyles

PUBLIC GUESTS IN ATTENDANCE

George McClellan
Glenn Gleason
Scott Shehadey
Cornelius Gallagher
John Kaczor
Bill Van Dam
Eric Erba
Tiffany LaMendola
Jim Greubele
Jim McIsaac
Gary Bordesssa
George Grossi
Jerry Corda

Undersecretary George Gomes opened the meeting at 10:05 a.m. by welcoming the Quota Review Committee members present. Undersecretary Gomes explained that the committee has been established as an advisory committee to the Secretary and referenced the guidelines provided to the members. Their charge is to fully explore and evaluate the three options for milk pool quota detailed in the guidelines. Undersecretary Gomes indicated that Secretary Kawamura regrets he could not be present for this opening session and conveyed his appreciation considering the challenges the committee will address. Undersecretary Gomes also indicated that he and staff are fully committed to the work of the committee. Undersecretary Gomes then introduced Ann Silva who has been appointed as chairperson of the Committee.

Ann Silva briefly stated the Department stands ready to assist this Committee. Ms. Silva set forth meeting date expectations and asked for self introductions of the Committee members. Ms. Silva asked the Committee to make a

commitment, participant with an open mind, and ask questions. Ms. Silva also thanked the Committee and briefly discussed the purposes and options of the Committee.

- Option #1 Should the existing quota system continue without change?
- Option #2 Should the quota system be modified?
- Option #3 Should quota be retired?

Ms. Silva acknowledged the public guests and stated all meetings are opened to the public, and any interested person may attend. The public is welcomed to make comments within the stated timeframe, with any lengthy briefs in writing. The meetings are posted on the Department of Food & Agriculture's web site.

Director Kelly Krug also stated he and his staff is committed to the work of the Committee and mentioned the members had received packets of Milk Pooling background information prior to the meeting. Director Krug asked for self introductions of the Departmental Staff and others in attendance and then introduced John Lee, Branch Chief, Milk Pooling Branch.

Mr. Lee presented a brief overview of the history of the California Milk Pooling Program and stated this can also be found on the Department's web site. Mr. Lee then introduced Don Shippelhoute, Sr. Agriculture Economist, Milk Pooling Branch.

Mr. Shippelhoute distributed several handouts and briefly discussed or identified the main facts.

- What is the Relationship between class Prices and Pool Prices
- Summary of Transfers – Sales Based on Solids-Not-Fat
- Percent of Quota in Shipment – For the month of April 2007
- April 2007 Overview packet including
- Pool Price Announcement
- Minimum Prices for Class 1 Market Milk
- Minimum Prices for Classes 2, 3, 4a & 4b Market Milk
- Minimum Prices for Classes 4a & 4b Market Milk
- Map - Regional Quota Adjusters in California

The Chicago Mercantile Exchange (CME) Commodity Products Market Information handout was also provided to those in attendance.

Committee Members discussed in length the problems that need to be addressed, additional data the committee may need, quota history, the outlined options,

diary issues, McKinsey report findings and general support and opposition. It was decided that each committee member should devote time to identify additional ideas and report back to the Committee at the next meeting.

Cornelius Gallagher, with Bank of America, made a short presentation about how bankers determine the value of investments.

Ms. Silva reviewed the discussion items for the next meeting:

- Value of quota over time-data table
- Compare 1.70 CWT fixed vs. Old Method (variable)
- Pros and cons of current Quota system
- How can Quota System be improved (maintain value, improve return)
- Challenges and benefits of modifying Quota
- Single Payout Method
- Variable payout Methods, number of years, level or diminishing payments
- Challenges & benefits of retiring quota (milk price increase without quota?)

Secretary A.G. Kawamura joined the group and addressed the Committee by thanking them for pulling together, taking part in a proactive plan in shaping the future, encouraged the Committee to pull their resources, and remarked there is no pre-determined conclusion. Secretary Kawamura thanked the Committee for their service on behalf of all California dairy producers. Secretary Kawamura closed by offering his services and reiterated we are here to help.

It was agreed that the next meeting would be held on June 7th at the California Farm Bureau beginning at 10 a.m. The following meeting would be held June 18th beginning at 10 a.m. at a pre-determined location.

An announcement was made regarding the Travel Expense Claim process and to see CDFA staff, Marie Caron-Lyles for assistance. Ann Silva verbalized her appreciation to the staff for preparing all the material.

The meeting adjourned at 3:35 p.m.

Original Signed By

John Lee, Chief
Milk Pooling Branch